

Message Text

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FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 4261
INFO AMEMBASSY BELGRADE
AMEMBASSY BONN

C O N F I D E N T I A L BRUSSELS 00794

LIMDIS

USEEC

DEPARTMENT FOR ASST. SECRETARY VEST

E.O. 11652: GDS
TAGS: EEC, YU
SUBJ: EC-YUGOSLAV RELATIONS; US-YUGOSLAV RELATIONS

1. YOU WILL RECALL THAT IN BRIEF CONVERSATION ON FRINGES
OF US-EC CONSULTATIONS LAST NOVEMBER (I.E., FOLLOWING
DISCUSSION OF YUGOSLAVIA IN RESTRICTED SESSION) WE AGREED
THAT DURING THIS PERIOD WHEN US AND EC ARE, AT YUGOSLAV'S
URGING, TRYING TO FIND WAYS TO ENHANCE YUGOSLAVIA'S
ECONOMIC RELATIONS WITH THE WEST, IT WOULD BE USEFUL FOR
THE USG FIRST TO CONSIDER INTERNALLY, AND THEN TO DISCUSS
WITH THE EC, WHETHER THERE MIGHT BE REFORMS IN THE
ECONOMIC AND COMMERCIAL FIELD WHICH WE WOULD WANT TO
SUGGEST TO THE YUGOSLAVS AS LIKELY TO CONTRIBUTE TO
ENHANCEMENT OF TIES WITH THE WEST. WITH THE EC
SCHEDULED TO BEGIN NEGOTIATIONS WITH BELGRADE SHORTLY ON
A NEW FRAMEWORK ECONOMIC COOPERATION AGREEMENT, THE US
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SHOULD PASS ON TO THE EC EXPEDITIOUSLY ANY THOUGHTS IT
HAS ON HOW WE AND THE EC COULD USEFULLY WORK IN PARALLEL
VIS-A-VIS THE YUGOSLAVS. (AN ALTERNATIVE WOULD BE FOR
THE U.S. SIMPLY TO INDICATE TO THE EC THOSE YUGOSLAV
REFORMS WHICH WE CONSIDER IN THE GENERAL WESTERN INTEREST
AND SUGGEST THAT IF THE EC FINDS OUR IDEAS HAVE MERIT,
IT PURSUE THEM IN ITS UPCOMING NEGOTIATIONS WITH YUGO-

SLAVIA.)

2. SINCE WE DO NOT KNOW ENOUGH IN THIS MISSION ABOUT YUGOSLAV LAW AND PRACTICES IN INVESTMENT, TRADE AND RELATED FIELDS TO HAVE AT THIS TIME ANY SPECIFIC RECOMMENDATIONS REGARDING THE KIND OF REFORMS WE AND/OR THE WEST EUROPEANS SHOULD BE PUSHING, WE DEFER TO WASHINGTON AND EMBASSY BELGRADE ON WHAT MIGHT BE ATTEMPTED. WE ASSUME FROM REPORTING WE HAVE SEEN FROM BELGRADE AND BONN OVER THE PAST YEAR, AS WELL AS FROM CONVERSATIONS WE HAVE HAD WITH EC OFFICIALS, THAT INTER ALIA, YUGOSLAVIA COULD MAKE DESIRABLE CHANGES IN SUCH AREAS AS FACILITATION OF BUSINESS, JOINT INVESTMENT RULES, REPATRIATION OF PROFITS AND INVESTMENT FUNDS, AND PERHAPS IMPORT LIBERALIZATION (E.G., QUOTAS, TARIFFS, AND HARD CURRENCY RESTRICTIONS), WHICH WOULD MAKE YUGOSLAVIA MORE ATTRACTIVE TO U.S. AND EUROPEAN INVESTORS AND FREE-UP TRADE TO THE GENERAL ADVANTAGE.

3. RECOMMENDATION: THAT THE DEPARTMENT AND INTERESTED WASHINGTON AGENCIES: (A) STUDY THE EXTENT TO WHICH YUGOSLAVIA'S PRESENT POLITICAL AND ECONOMIC CIRCUMSTANCES WARRANT A DISCREET US/EUROPEAN EFFORT TO NUDGE BELGRADE TOWARD DESIRABLE ECONOMIC/TRADE REFORMS; (B) CONSIDER THE MODALITIES OF A PARALLEL US/EC EFFORT IN THIS REGARD; AND (C) ADVISE. HINTON
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